No. 07-486

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SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

IMPORT WAREHOUSE, INC. and RAVI BHATIA,

Petitioners,

v.

BOLLORÉ, S.A., NORTH ATLANTIC TRADING COMPANY, INC. and NORTH ATLANTIC OPERATING COMPANY, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the United States Court of Appeals for the Fifth Circuit erred in affirming the District Court's award to Respondents of maximum statutory damages for willful contempt of a permanent injunction and willful infringement of Respondents' two trademarks, pursuant to 15 U.S.C. § 1117(c)(2) where: (a) the statute contains no requirement that statutory damages be calculated and tethered to actual damages, let alone that statutory damages be limited to three times actual damages; (b) Petitioners prevented Respondents from ascertaining or proving actual damages by refusing to produce relevant documentary evidence; (c) not a single Court of Appeals decision conflicts with the District Court decision that the Fifth Circuit affirmed in this case; and (d) many district courts did exactly what the District Court did (and the Fifth Circuit affirmed) in this case – awarded maximum statutory damages under 15 U.S.C. § 1117(c)(2) for willful contemptuous counterfeiting of multiple marks.

STATEMENT PURSUANT TO RULE 29.6

The parent company and owner of more than 10% of the stock of Respondent Bolloré, S.A., is Financière de l'Odet which is publically traded. Respondent North Atlantic Trading Company, Inc., is wholly owned by North Atlantic Holding Corporation. Respondent North Atlantic Operating Company, Inc. is wholly owned by North Atlantic Trading Company, Inc.

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BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI

STATEMENT OF THE CASE

Petitioner Ravi Bhatia owns Petitioner Import Warehouse Inc. ("Import Warehouse"), a Dallas-based wholesale distributor for convenience stores (Mr. Bhatia and Import Warehouse are collectively "Petitioners").

Respondent Bolloré S.A. ("Bolloré") is a French corporation that owns the Zig-Zag® and Smoking Man® trademarks (collectively, the "Zig-Zag® Trademarks") used in connection with cigarette paper products. Respondent North Atlantic Trading Company, Inc. ("NATC") is the owner of Respondent North Atlantic Operating Company, Inc. ("NAOC"). NAOC is the exclusive licensee of Bolloré for importing and distributing Zig-Zag® cigarette paper products in the United States (Bolloré, NATC and NAOC are collectively "Respondents").

Petitioners engaged in a scheme in which they knowingly caused the manufacture and distribution throughout the United States of counterfeit Zig-Zag® cigarette paper products.

In 1999, Respondents filed an action in the U.S. District Court for the Northern District of Texas alleging, *inter alia*, that Petitioners violated the Lanham Act, 15 U.S.C. § 1051, *et seq.*, by importing, distributing, promoting, offering for sale and selling counterfeit cigarette paper products bearing the Zig-Zag® Trademarks. Following the District Court's entry of,

inter alia, an *ex parte* Temporary Restraining Order and Seizure and Impoundment Order, the Respondents, with the assistance of the U.S. Marshals, seized materials that infringed the Zig-Zag® Trademarks. Thereafter, Petitioners consented to a permanent injunction, entered on April 7, 2000, enjoining them from, *inter alia*:

> Selling or passing off or inducing or enabling others to sell or pass off, as and for any of Bolloré's products, or as and for products produced by Bolloré, any product not Bolloré's, or not produced, imported or distributed under the control or supervision of Bolloré and/or its U.S. Distributor, North Atlantic Operating Company, Inc. ("NAOC"), and approved for sale under Bolloré's ZIG-ZAG Trademarks, copyrighted Designs, or any of them by Bolloré; . . .
>
> Diluting and infringing the ZIG-ZAG Trademarks, or any of them, and damaging their good will; . . .
>
> Importing, shipping, delivering, distributing, returning or otherwise disposing of, in any other manner, products or inventory not authorized by Bolloré to be sold, or offered for sale, in the U.S. and which bear the ZIG-ZAG Trademarks, copyrighted Designs, or any of them, . . . [and]
>
> Attempting causing or assisting any of the above-described acts.

Appendix C to Petition at 28a-29a.

In blatant violation of the permanent injunction to which they consented, Petitioners continued to distribute counterfeit Zig-Zag® cigarette paper products. Consequently, in 2002, Respondents filed a Motion for Contempt against Petitioners.

During the contempt proceedings before the District Court, notwithstanding sworn deposition testimony from Mr. Bhatia that he always receives an invoice when Petitioners purchase Zig-Zag® products, Petitioners consistently refused to produce copies of those invoices despite numerous requests, including a subpoena, by Respondents that Petitioners do so. Respondents, in fact, requested these invoices and underlying accounting records no less than 12 times. Instead, Petitioners produced "summaries" of purchases and sales invoices which the District Court found to be "inconclusive and unpersuasive as such summaries were prepared for the purposes of this litigation and do not include actual invoices or contain other guarantees of their comprehensiveness of accuracy." Appendix C to Petition at 26a.[1] The District Court further found Respondents'

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[1] Petitioners misstate the facts of the instant case by contending that Respondents suffered only "$3,288" of lost profits. Petition at 6. Respondents suffered considerably greater lost profits. Because Petitioners violated their obligation under the Federal Rules of Civil Procedure to produce documents that Respondents subpoenaed, including invoices showing Petitioners' purchases and sales of counterfeit Zig-Zag® products, Petitioners obstructed Respondents' ability to prove the true volume of Petitioners' purchases and sales of counterfeit Zig-Zag® cigarette paper products. The $3,288 figure claimed as "lost profits" by Petitioners merely represents the amount of goods Respondents' sales representatives were lucky enough to

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witnesses to be credible in every respect, "discred[ited] the denials made by Shatia" (Appendix C to Petition at 19a (¶ 34)), and adopted each and every finding in Respondents' favor. Appendix C to Petition at 16a (¶ 18), 19a (¶ 34), 21a (¶ 43) and 25a (¶ 65).

In its Findings of Fact and Conclusions of Law dated June 27, 2003, the District Court found that Respondents proved by clear and convincing evidence that Petitioners were in contempt. Thus, the District Court held Petitioners in contempt for willfully violating the permanent injunction, and held that Petitioners willfully infringed the Zig-Zag® Trademarks by selling counterfeit Zig-Zag® cigarette products to multiple wholesale facilities located across the United States. Appendix C to Petition at 11a-32a.

Accordingly, in its Order dated July 1, 2007 and its Final Judgment entered on July 15, 2004, the District Court, in accordance with the plain language of 15 U.S.C. § 1117(c)(2), ordered that Petitioners pay $1 million in maximum statutory damages to Respondents for each of the two Zig-Zag® Trademarks, *i.e.*, the Zig-Zag® Trademark and the Smoking Man® Trademark, for a total of $2 million.

In a *per curiam* opinion dated June 5, 2007, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's findings for "essentially the same

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happen upon in the marketplace, and trace back to Petitioners. It does not represent the total actual damages or lost profits to Respondents.

reasons stated by the District Court." Appendix A to Petition at 1a-2a.

Petitioners do not seek review of the Fifth Circuit's affirmance of the District Court's finding that Petitioners willfully violated the permanent injunction and willfully infringed the Zig-Zag® Trademarks by distributing counterfeit merchandise. Petitioners only seek review of the Fifth Circuit's affirmance of the District Court's award of $2 million of statutory damages to Respondents. Petition at 6.

REASONS FOR DENYING THE PETITION

A. This Case Does Not Merit Review Because Petitioners Have Failed To Even Allege That The Fifth Circuit's Decision Conflicts With A Single Decision Of Any Other United States Court Of Appeals On Any Matter, Let Alone The Same Important Matter.

Petitioners contend that this case merits review by this Court because the Fifth Circuit's decision affirmed the District Court's award to Respondents of $2 million in statutory damages pursuant to 15 U.S.C. § 1117(c)(2). Specifically, Petitioners allege that the District Court's finding that Petitioners were in contempt for willfully violating the District Court's prior permanent injunction and that Petitioners willfully infringed the Zig-Zag® Trademarks "Is In Conflict With All Other Courts That Have Assessed Statutory Damages Under The Lanham Act." Petition at 7.

Petitioners' use of the phrase "All Courts," rather than "All Circuit Courts," appears to have been deliberate because Petitioners have failed to cite, and Respondents have not found, a single decision from any United States Court of Appeals that conflicts with the Fifth Circuit's decision (or the District Court decision that the Fifth Circuit affirmed) in the instant case on the same matter (or on any matter).[2] Instead, the Petition

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[2] In a transparent attempt to feign the existence of conflicting case from a Circuit Court of Appeals, Petitioners disingenuously cite the Third Circuit's opinion in *Caesars World, Inc. v. Venus Lounge, Inc.*, 520 F.2d 269 (3d Cir. 1973), in support of their Petition. In *Caesars World*, the Third Circuit refused to award statutory damages under the Lanham Act where no lost profits were found; the court noted that "three times zero is zero." Petition at 9. However, Petitioners have failed to disclose that the Third Circuit's opinion in *Caesars World* was based on the Lanham Act's prior version permitting courts to award three times actual damages. Indeed, this earlier version was prior to the Act's amendment in 1996, which added the current version of Section 1117(c) authorizing awards of statutory damages as an alternative to actual damages (trebled or not). Unlike Section 1117(c), the damages provision upon which the Third Circuit's opinion was based in *Caesars World* expressly limited damages to three times actual damages, as follows:

> Section 35 also provides that "in assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." This sentence cannot be relied on to sustain either the award of compensatory damages or the award of exemplary damages, since it assumes an evidentiary basis for the award of some actual damages. We have found none. *Three times zero is zero.*

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is based solely on Petitioners' (inaccurate) contention that the Fifth Circuit's decision conflicts with decisions issued by district courts that purportedly held that statutory damages under 15 U.S.C. § 1117(c) should not exceed three times the plaintiff's actual damages.[3] Petition at 7-9.

Accordingly, Petitioners have failed to provide any reason, let alone a compelling reason, for this Court to accept review of this case.

B. Petitioners Have Failed To Demonstrate That The Fifth Circuit's Decision Conflicts With Any District Court Cases On Any Matter.

Contrary to Petitioners' contention, 15 U.S.C. § 1117(c)(2) does not limit a district court's discretion to award statutory damages by setting a ceiling of three

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Caesars World, 520 F.2d at 273 (emphasis added). Accordingly, the Third Circuit's decision in *Caesars World* is entirely inapposite.

[3] Because this case was litigated solely in the federal courts, Petitioners cannot show, and have not argued that (i) the Fifth Circuit decided an important federal question in a way that conflicts with a decision by a state court of last resort; (ii) a state court of last resort has decided an important federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals; or (iii) a state court has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court. Rule 10 of the Supreme Court of the United States; *see also, Watt v. Alaska*, 451 U.S. 259, 276 (1981).

times actual damages. Section 1117(c)(2) of 15 U.S.C. contains no reference whatsoever to actual damages or to trebling actual damages. Instead, 15 U.S.C. § 1117(c)(2) vests district courts with extremely broad discretion to award up to $1,000,000 per counterfeit mark "as the court considers just." 15 U.S.C. § 1117(c)(2).[4] The statute's lack of specific guidance regarding how courts should exercise their discretion is not accidental; rather, it is intentional. "'[T]he statute itself does not afford much guidance as to how the courts are to fix appropriate amounts in statutory damage cases' [citation omitted] . . . However, this limited textual guidance is purposeful; it allows district courts broad discretion in setting statutory damage awards." *Tommy Hilfiger Licensing, Inc. v. Goody & Family Clothing, Inc.*, No. 1:00-CV-1934-BBM, 2003 U.S. Dist. LEXIS 8788, at *73 (N.D. Ga. May 9, 2003) (citations omitted).

Accordingly, imposing an arbitrary ceiling on a district court's discretion under 15 U.S.C. § 1117(c)(2) to award statutory damages that it "considers just" based on three times actual damages would improperly limit the "broad discretion" afforded to district courts under 15 U.S.C. § 1117(c)(2). In fact, such a limitation could well result in awards of statutory damages that are substantially less than the awards that district courts

[4] It bears noting that 15 U.S.C. § 1117(c)(1), which sets forth the permissible statutory damages for non-willful trademark infringement, contains no reference whatsoever to actual damages or to trebling actual damages. Instead, 15 U.S.C. § 1117(c)(1) vests district courts with considerable discretion in cases of non-willful infringement to award up to $100,000 per counterfeit mark "as the court considers just." 15 U.S.C. § 1117(c)(1).

"consider[ ] just." This would be an anomalous result and wholly contrary to the stated purpose behind the statute.

That 15 U.S.C. § 1117(c)(2) contains no implied ceiling equal to three times actual damages in cases of willful infringement is further demonstrated by the fact that Congress provided for damage awards equal to three times actual damages for willful trademark infringement elsewhere in the Lanham Act – *i.e.*, in 15 U.S.C. § 1117(b). A plaintiff has the right to elect to receive either actual damages under 15 U.S.C. § 1117(a) (subject to trebling under 15 U.S.C. § 1117(b)), or, alternatively, statutory damages under 15 U.S.C. § 1117(c). *Tommy Hilfiger Licensing, Inc.*, 2003 U.S. Dist. LEXIS 8788, at *72 ("The option of statutory damages serves as an alternative to traditional awards based on actual losses under *subsections 1117(a) and 1117(b)*") (emphasis in original). To hold, as Petitioners urge, that statutory damages under 15 U.S.C. § 1117(c) are improper when they stray beyond a three times actual damages threshold would render 15 U.S.C. § 1117(c) merely redundant of 15 U.S.C. § 1117(b) and thus superfluous – a prohibited result under well-established canons of statutory interpretation. *See TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) ("It is a 'cardinal principle of statutory construction' that 'a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.'" (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001)).

The error in Petitioners' cursory view of 15 U.S.C. § 1117(c) is further demonstrated by the statute's

legislative history. Congress amended the Lanham Act in 1996 to allow a plaintiff to elect statutory damages *as an alternative to actual damages* in cases involving (as here) willful counterfeiting of trademarks in connection with the sale of goods. This was based on Congress' recognition that "a civil litigant may not be able to prove actual damages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting." S. Rep. No. 117, 104th Cong., 1st Sess., at § 7 (Recovery for Violation of Rights) (1995). It is often the case that "counterfeiters' records are nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not nearly impossible."[5] *Id.*; *accord, e.g., Silhouette Int'l Schmied AG v. Chahkhbazian*, No. 04 Civ. 3613, 2004 U.S. Dist. LEXIS 19787, at *4 (S.D.N.Y. Oct. 4, 2004); *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511, 520 (S.D.N.Y. 2004); *Sarah Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d 161, 165 (S.D.N.Y. 1999); *see also*, S. Rep. No. 104-177, § 7 ("[E]nabling trademark owners to elect statutory damages is both necessary and appropriate in light of the deception routinely practiced by counterfeiters."). Thus, the amendment to the Lanham Act "adds teeth to existing statutes and provides

[5] As noted *supra*, p. 3, Petitioners had resisted all requests for discovery pertaining to damages and instead provided Respondents with a useless, created for litigation, summary chart. By doing so, Petitioners treaded on unsettled ground at their own peril. *See Louis Vuitton S.A. v. Spencer Handbags Corp.*, 765 F.2d 966, 972-73 (2d Cir. 1985) (noting that counterfeiter who keeps poor records "must bear the burden of uncertainty" in determining damages award).

stronger civil remedies," 141 Cong. Rec. E1994-01 (daily ed. Oct. 19, 1995) (statement of Rep. Goodlatte), and "expressly confers upon the district judges wide discretion in determining a just amount of recovery for trademark infringement." *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 824 (5th Cir. 1998), *reh'g denied*, 1998 U.S. App. LEXIS 31333 (5th Cir. Nov. 19, 1998) (quoting *Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA*, 112 F.3d 1296, 1304 (5th Cir. 1997)). "The purpose of section 1117 is to take all the economic incentive out of trademark infringement." *Meece*, 158 F.3d at 824 (quoting *Intel Corp. v. Terabyte Int'l*, 6 F.3d 614, 621 (9th Cir. 1993)).

Accordingly, imposing an arbitrary ceiling upon a district court's discretion to award the quantum of statutory damages it "considers just" based on three times actual proven damages would severely frustrate Congress' express purpose in enacting 15 U.S.C. § 1117(c) to untether statutory damages from proof of actual damages. *See Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F. Supp. 2d 448, 458 (S.D.N.Y. 2005) (noting that actual damages figure is of no consequence under statutory damages framework because "[a] counterfeiter must fear more than just having to turn over his ill gotten gains to the rightful owners"). This is even more crucial in cases like this one, where Petitioners' own actions frustrated Respondents' ability to ascertain and prove the amount of actual damages.

In light of Congress' clearly expressed intent in amending the Lanham Act, it should come as no surprise that, contrary to Petitioners' contention that the Fifth Circuit's decision "Is In Conflict With All Other Courts

That Have Assessed Statutory Damages Under The Lanham Act," not a single district court has arbitrarily limited its statutory damages award under 15 U.S.C. § 1117(c) to three times actual damages in the way that Petitioners contend is required. In fact, many district courts have awarded the maximum statutory damages under 15 U.S.C. § 1117(c) without making any comparison to Petitioners' proposed ceiling of three times actual damages. For example, in *Philip Morris USA Inc. v. Marlboro Express*, No. CV-03-1161 (CPS), 2005 U.S. Dist. LEXIS 40359, at *27-30 (E.D.N.Y. Aug. 26, 2005), *Philip Morris USA Inc. v. Banh*, No. CV-03-4043 (GAF), 2005 U.S. Dist. LEXIS 43113, at *22 (C.D. Cal. Jan. 14, 2005) and *Philip Morris USA Inc. v. Sheng Chen Lin*, No. CV-03-08923 (CAS), 2004 U.S. Dist. LEXIS 29903, at *21 (C.D.Cal. Oct. 25, 2004), the courts awarded the maximum statutory penalty under 15 U.S.C. § 1117(c)(2) of $1 million per mark for willful infringement and counterfeiting of four marks, resulting in total awards of $4 million. In *Philip Morris USA Inc. v. Castworld Prods.*, 219 F.R.D. 494, 501-02 (C.D. Cal. 2003), and *Gucci*, 315 F. Supp. 2d at 511, the courts awarded the maximum statutory penalty under 15 U.S.C. § 1117(c)(2) of $1 million per mark for willful infringement and counterfeiting of two marks, resulting in a total awards of $2 million.[6]

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[6] Petitioners contend that *Gucci* supports their contention because the statutory damages that the court awarded were roughly three times the actual damages proven. Petition at 8. However, the court in *Gucci* made no such comparison. The fact that the maximum amount of statutory damages was roughly three times actual damages was pure coincidence.

Moreover, none of the district court decisions that Petitioners cite support their contention that district courts are constrained to limit their statutory damages awards under 15 U.S.C. § 1117(c)(2) to three times actual damages. Petition at 7-9. Rather, those decisions stand for the unremarkable principle that, in exercising their discretion in connection with determining statutory damages under 15 U.S.C. § 1117(c)(2), some courts have determined that three times actual damages is sufficient to compensate the plaintiffs. That does not mean, however, that every single district court is required to exercise its broad discretion in such a manner. Certainly nothing in 15 U.S.C. § 1117(c) or the cases cited by Petitioners mandates it. And, as demonstrated in the four *Philip Morris USA Inc.* cases and the *Gucci* case described above, many district courts have felt no such compulsion, resulting in maximum statutory damages awards under 15 U.S.C. § 1117(c)(2) equal to $1 million per infringed mark without reference to actual damages.

Moreover, the fact that some of the district courts in the cases cited by Petitioners determined statutory damages awards under 15 U.S.C. § 1117(c)(2) by roughly trebling actual damages stands for another unremarkable principle – that actual damages is one of several factors that courts can consider in determining the appropriate quantum of statutory damages.[7]

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[7] Some of the cases cited in the Petition do not even support that unremarkable principle. For example, in *Choice Hotels Int'l, Inc. v. Pennave Associates*, 159 F. Supp. 2d 780, 786 (E.D. Pa. Feb. 9, 2001), *aff'd*, 2002 U.S. App. LEXIS 17891 (3d Cir. Aug. 28, 2002), the court's award of $100,000 was not based on 15 U.S.C. § 1117(c), but rather consisted of damages awarded

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Marlboro Express, 2005 U.S. Dist. LEXIS 40359, at *27-30. However, that is only one of several factors that district courts can consider in determining statutory damages. The other relevant factors include the defendant's willfulness, the size of the defendant's counterfeiting operation, the deterrent effect on others beside the defendant, the defendant's efforts to mislead and conceal, and the potential for discouraging the defendant. *Id.*[8]

In the instant case, the District Court was wholly justified in awarding maximum statutory damages under 15 U.S.C. § 1117(c)(2) based on these other relevant factors. The District Court found that Petitioners' infringement was willful. Appendix B to Petition at 8a. Moreover, the District Court found that Petitioners willfully violated the permanent injunction prohibiting any further infringement and accordingly were in willful contempt. Appendix B to Petition at 8a. Consequently, the District Court's award was justified in light of the factors relating to Petitioners' willfulness, and to discourage any future infringing behavior. Moreover, the

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under 15 U.S.C. § 1117(a) ("JUDGMENT IS ENTERED, pursuant to paragraph § 1117(a), in the amount of $100,000 in favor of Plaintiff against Defendant Miller . . ."). *Id.*

[8] This list of factors is derived from case law analyzing an analogous damages provision under the federal Copyright Act, 17 U.S.C. § 504(c), which courts have frequently utilized for guidance in formulating statutory damages awards under 15 U.S.C. § 1117(c). *See, e.g., Marlboro Express*, 2005 U.S. Dist. LEXIS 40359, at *27-30; *Sheng Chen Lin*, 2004 U.S. Dist. LEXIS 29903, at *19.

District Court found that, instead of producing the requested documentary evidence regarding their purchases and sales of Zig-Zag® products, Petitioners produced "summaries" of purchases and sales invoices which the District Court found to be "inconclusive and unpersuasive as such summaries were prepared for the purposes of this litigation and do not include actual invoices or contain other guarantees of their comprehensiveness of accuracy." Appendix C to Petition at 26a. Consequently, the District Court's award was justified in light of the factor relating to the defendants' efforts to mislead and conceal.[9] Finally, as evidenced by the myriad of tobacco-related lawsuits cited above, the distribution and sale of counterfeit cigarettes and related papers products is a national and international epidemic, through which counterfeiters profit at the expense of not only trademark holders, but the public at large. *See Lorillard Tobacco Co.*, 378 F. Supp. 2d at 458 (observing that counterfeit cigarettes have become an increasingly troublesome public problem for which there is a strong need for deterrence). Consequently, the District Court's award was also justified in light of the deterrent effect on others beside the defendant.

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[9] In contrast to the instant case, in which the District Court found that Petitioners were less than forthcoming with regard to producing relevant evidence, in *Tommy Hilfiger*, 2003 U.S. Dist. LEXIS 8788, at *71-76, the court was able to calculate the defendant's unlawful lost profits which the court "derived . . . from [defendant's] reliable sales records and information." *Id.* at *74-75. In that case, the court, in its discretion, awarded statutory damages in the total amount of $2.1 million, which was roughly three times the amount of the defendant's unlawful profits. In the instant case, the District Court could make no similar calculation of unlawful profits because Petitioners did not provide "reliable sales records and information."

Aside from justification of the damages resulting from Petitioners' willful counterfeiting and deterrent effect, the District Court's award of statutory damages is a result of the overall value of Respondents' Trademarks. The District Court was well aware of the 100-year history and enormous value of Respondents' Zig-Zag® Trademarks; declarations were provided both in the underlying proceeding and in the contempt proceedings regarding these facts.

For more than a century, Respondents have used the Zig-Zag® Trademarks in connection with cigarette paper products in the United States. Respondents have developed enormous goodwill in the Zig-Zag® Trademarks and a reputation for high quality. Over the past seven years, millions of dollars worth of cigarette paper products carrying the Zig-Zag® Trademarks have been sold in the United States. Significantly, Respondents' Zig-Zag® Trademarks are all incontestable and are valued at approximately $150 million. It is clear that Petitioners' counterfeiting scheme damaged the goodwill and reputation that Respondents spent nearly a century generating. In doing so, Petitioners simultaneously damaged the value of the Zig-Zag® Trademarks.

However, as discussed above, Petitioners' refusal to provide accurate and reliable sales information makes it difficult for Respondents to accurately estimate the precise diminution in value of the Zig-Zag® Trademarks as a result of the Petitioners' counterfeiting activities. Petitioners' counterfeit sales represented a diminution in the value of Respondents' Zig-Zag® Trademarks, and considering a mere 1% net loss, would result in damages

of not less than $1.5 million for the damage to the goodwill alone. Accordingly, the District Court's award of the statutory maximum of $1 million per Trademark was wholly reasonable based on all of the factors, with diminution to goodwill being only one of those factors.

CONCLUSION

For the reasons set forth above, this Court should deny the Petition for a Writ of Certiorari.

Respectfully submitted,

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